(Inland Valley Daily Bulletin, Ontario, California)

It's time to stop dodging questions about paying for roads

By Richard G. Little
Article Created: 01/29/2008

The National Surface Transportation and Revenue Study Commission, a bipartisan federal effort to study the future of transportation funding in the United States, released its findings recently and the results are neither pretty nor surprising.
In a nutshell, the "Highway Trust Fund," the politically created lock box in which the government salts away money to pay for future transportation needs, is empty and current revenues won't fill it back up. This is particularly troubling because it comes at a time when much of the national transportation system, just like the baby boomers who grew up with it, has reached the end of its working life and needs to be replaced or renewed.

This will come as no surprise to anyone with even a passing knowledge of how the federal government funds the transportation system. For every gallon of gasoline or diesel fuel sold for highway use, the government collects 18.4 and 24.4 cents, respectively. These rates have been static for almost 15 years despite the fact that construction costs have more than doubled over that period. At the same time, better vehicle fuel economy, by decreasing the amount of fuel required to travel a given distance, has further reduced the revenue collected. Increasing costs and decreasing revenues are not the basis of a sustainable business model.

The members of the commission were of two minds about what to do to close the revenue-needs gap. As an immediate fix, the majority view was to increase

the fuel tax by 25 to 40 cents per gallon over the next five years and then to index future increases to inflation. The minority view, led by Transportation Secretary Mary Peters, was that arrangements known as public-private partnerships could better address the problem by means of revenue-supported (read toll) roads financed, constructed, maintained and operated by private sector companies, as is now done around the globe and to a limited extent in the United States. We will actually need to do both, and in California the time to make some hard choices is upon us.
The governor recently released his initiative for "performance-based infrastructure," which is the administration's proposal to make widespread use of PPP to address the estimated $500 billion of infrastructure needs the state will face over the next 20 to 25 years. Despite the incorrect claims of the Public Engineers in California Government that these arrangements are "proven failures," PPP could be an ideal solution to address the state's needs for some projects, under some conditions.

For example, a 710/210 tunnel connection under South Pasadena would lend itself nicely to a PPP supported by tolls and built and operated by a private party with some state oversight. Recent financial planning sessions convened by the Keston Institute for Public Finance and Infrastructure Policy at USC examined the technical and financial aspects of the project and confirmed that the estimated cost, use, and projected tolls could produce a self-supporting revenue stream.

However, even the most optimistic proponents of performance-based infrastructure recognize that substantial additional revenues will be needed to address the state's infrastructure deficit. It is this question, rather than whether the state should or should not use PPP, that demands our attention.

Government provides services with money raised either through taxes or fees. In California, revenue to support the highway system is generated by the state gas tax, which hasn't been increased since 1994, and state and local sales taxes, and our share of the Highway Trust Fund. The bonds approved by the voters in 2006 aren't really new revenue as they will have to be paid back from the General Fund.

Converting lanes on existing freeways to toll lanes and tolling any new highway capacity is one option, albeit one that would not likely prove very popular. Alternatives include raising the state gas tax, (Twenty cents per gallon would generate $3.5 billion annually) or further increasing local sales taxes dedicated to transportation. There are other ways to create revenue streams but none are likely to be any more popular with the electorate.

This is really the dilemma faced by the governor and Legislature; existing revenue sources simply will not produce the funds needed to build and maintain the infrastructure necessary to be a first-tier competitor in the 21st century global marketplace.

Absent aggressive and courageous action to address these revenue shortfalls across a broad front, the argument for private versus public provision is a bit of a red herring. The more pressing question is not how we build it but how will we pay for it.

Richard G. Little is the director of The Keston Institute for Public Finance and Infrastructure Policy at the University of Southern California, a nonpartisan research center established to raise the public's awareness of the value of infrastructure and to encourage strategic investment. For more information, visit,

http://www.usc.edu/keston.